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American Banker

The Daily Financial Services Newspaper

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VOL. CXLIX NO. 161 | Wednesday, August 15, 1984 | 149th Year

TODAY

ON-LINE BROKERAGE: Retail on-line brokerage owes a debt to the galloping growth of the microcomputer industry — and to the thief who stole Max Ule's Mercedes in 1978 1

BAN OVERTURNED: A federal court has overturned the National Credit Union Administration's ban on a New York money broker's supplying of services to federal credit unions 1

COMPTROLLER POLICIES: Reacting to an attitude survey that revealed considerable staff dissatisfaction, the Comptroller's office is considering new policies in an effort to stem examiner turnover 2

INTERNATIONAL BRIEFING: Allan Taylor, the head of the Canadian Bankers' Association, talks about issues before that organization and the task of representing divergent interests 2

ARGENTINE DEADLINE: With its bank lenders reportedly having declined to renew a 45-day loan made July 1, Argentina is facing another financial deadline 2

On-Line Brokerage Table 3

MARKETING MANAGEMENT and public relations are "two large circles which overlap in only a small area," says Michael P. Sullivan, who examines the cultural differences between the two and the need for them to work together 4

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FUEL SYSTEM: Looking for added fee income, the First National Bank of Cincinnati is marketing Petronet, an automated fuel system to oil jobbers. Six jobbers in Ohio and Kentucky have signed up so far 8

Operations/Technology

NEW IBM COMPUTER: IBM has introduced a new member of its Personal Computer line that it says runs programs faster than the IBM PC. 9

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THE BACK PAGE: A union-owned bank takes hold in Denver and looks to expand under the leadership of a career banker 16

Quote

If you have a million-dollar order for a one-cent stock, you need to check.

Max Ule, a pioneer in the on-line brokerage business, saying he believes that a broker still fills an important role as an intermediary. [1]

Unquote

For Pioneer Max Ule, It Started with a Stolen Car

$600 Insurance Settlement Provided Seed Money for His Landmark Stock Operation

By DAVID O. TYSON

First in a series

NEW YORK — It all started when somebody stole Max Ule's 12-year-old Mercedes in his hometown of Rye, N.Y.

Retail on-line brokerage traces its origins to that day in 1978 when Mr. Ule, then 38, was just settling into Rosenkrantz Ehrenkrantz Lyon & Ross Inc. in midtown Manhattan as a new registered representative.

The On-Line Brokers

Police found the car abandoned in nearby Hartsdale, the engine having seized up because the cooling system leaked. The insurance company sent him $600, and his wife said he could spend the money any way he wanted.

The New York Times had a Radio Shack ad for a TRS-80 for $799. Mr. Ule told his boss it might be a good device to use to figure commissions.

"I looked out the window and there was a Radio Shack in the Chrysler Building across the street," he says. "So I went over and bought it, a Model I."

He still uses that TRS-80 to calculate commissions and has added two other Model Is, for a total investment of about $7,500 in hardware plus $3,000 in modems and software. The second TRS-80 is for word processing and the third to demonstrate Tickertec, Mr. Ule's proprietary software program for monitoring stock prices.

"We never turned them off at night," Mr. Ule says. "Then I got the idea, why not set them up as a bulletin board system?"

The board went active in March 1982. Since then, after 4 p.m. each trading day, the closing prices and market indexes are transferred from the TRS-80 running

➡ On-Line: Page 3

Judge Stays Federal Agency's Order Against Money Broker

By LISA J. Mc CUE

WASHINGTON — A U.S. District Court judge Tuesday granted an emergency stay of a National Credit Union Administration order barring the First Empire Corp. from providing money brokerage services for federal credit unions.

Judge Thomas A. Flannery of the U.S. District Court for District of Columbia presented the oral ruling.

The NCUA on July 30 ordered the Huntington, N.Y., thrift to cease its dealings with credit unions, arguing that the Federal Credit Union Act prohibits federal credit unions from investing in certificates of deposit with state-chartered savings and loans that are not federally insured. An administrative hearing was set for Sept. 11.

First Empire continued to do business with credit unions and filed suit asking for a restraining order until after the administrative hearing.

"NCUA regulates credit unions. They don't regulate the individual businesses which sell services to credit unions," said Alan Palmer, a Washington attorney with Morrison & Forrester and legal representative for First Empire.

"We're very pleased with the court's ruling. We feel the judge entirely endorsed what we were saying — that the NCUA went way beyond its authority in issuing that order."

The court ruling enjoins the NCUA order against First Empire until after the administrative hearing process is completed, which could take months.

At the NCUA, assistant general counsel James J. Engel said the agency will not pursue the matter until after the hearing process.

Mr. Engel noted that the hearing will be conducted by an administrative law judge, who is an employee of the Office of Personnel Management rather than the NCUA. The NCUA board will consider that judge's recommendation, but legally may accept, modify, or re-

➡ Empire: Page 14

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A Guide to On-Line Securities Brokers

Name of broker	System	No. of On-Line Accts.	Commissions 100 Shares	Commissions $30 Stock 1,000 Shares	Commissions Min.	Clear Through	Hours of Operation, Connect charges	Get stock Prices?	Call up Portfolio	Real Time?	Order Handling (Ticket written, (message rekeyed, or switched?)
Max Ule division, Rosen-krantz, Ehrenkrantz, Lyon & Ross Inc. (May 1983)	Tickerscreen	500	43.12	199.96	$25	Rothschild	5 p.m. to 9 a.m. weekdays, all day weekends, holidays. No connect charges direct, only via CompuServe	Yes	No	No	Written
C.D. Anderson & Co., San Francisco (June 1983)	TradePlus	500	37.80	135.00	$30	Broadcort Securities Corp.	Round the clock. $15/month for one hour. Then $24/hour 7 a.m. to 6 p.m. on business days, $6/hour other times.	Yes	Yes	Yes	Rekeyed
North American Investment Corp., East Hartford, Ct. (Nov. 1983)	Own	250	37.19	185.00	$35	Pershing	Round the clock via Delphi, at $16 hour 8 a.m. to 6 p.m. business days, $6/hour other times.	Yes	No	Yes	Rekeyed
Fidelity Brokerage Services, Boston (March 1984)	TradePlus	N.A.	40.00	139.00	$30	Self	Round the clock. $15/month for one hour. Then $24/hour 7 a.m. to 6 p.m. on business days, $6/hour other days	Yes	Yes	Yes	Rekeyed
Unified Management Corp., Indianapolis (April 1984)	Unisave	158	30.00	100.00	$30	Self	Round the clock. Connect charge for research only	Yes	Yes	No	Switched
Texas Securities Inc., Fort Worth (March 1984)	TradePlus	17	45.00	140	$25	Southwest Securities Inc., Dallas	Round the clock. $15/month for one hour. Then $24/hour 7 a.m. to 6 p.m. on business days, $6/hour other times	Yes	Yes	Yes	Rekeyed
Security Pacific Brokers Inc., Los Angeles (July 1984)	Wilshire Associates	N.A.	45.00	155	$35	Self	Round the clock. $30/hour 10 a.m. to 7 p.m. Eastern time on business days, $20/hour 7 p.m. to 11 p.m. business days, $10/hour other times	Yes	Yes	Yes	Switched

The On-Line Revolution: Wave of the Future in Retail Stock Brokerage

Continued from Page 1

Tickertec into another TRS-80, which is set up for the night as a bulletin board called Tickerscreen.

Starting about 4:45 p.m. the public can phone in (212-986-1660) and get closing prices of any of 3,400 New York Stock Exchange and American Stock Exchange issues. "This is probably one of the few places they can get it all at once at that hour," Mr. Ule said.

In May 1982, Mr. Ule allowed callers who also had accounts at the firm to enter orders through Tickerscreen. Retail on-line brokerage was born.

Before the Revolution

Before the microcomputer revolution, retail customers could buy and sell stocks only when their brokers were available during office hours.

Today those customers can enter orders at any time, whether their brokers are asleep at home or sunning on a beach or tending a Quotron machine at work. And they can do it from a living room, an office, or a hotel room — anywhere there is a telephone. Even from a street corner phone booth, if they have a lap-model computer. Even from abroad.

So far, only seven firms offer on-line brokerage, all of them discounters. But others, including some banks, are expected to join them.

Equipped with microcomputers and modems, electronic customers can also get prices on-line, view their portfolios, send electronic mail to their brokers, and, in some programs, download fundamental and technical stock information.

And they can get a record of everything they do, either in the computer's memory or in hard copy form if they have a printer.

Costs vary. In some cases there is no charge, and sometimes costs can run as high as $30 an hour in connect time charges while markets are open, plus a surcharge for instantaneous price quotations.

Professionals are prominent among clients: investment counselors buying and selling for the accounts of others, stock traders dealing for their own accounts. Such customers, like small businesses that use home banking, find on-line brokerage a vastly superior way to conduct their affairs.

But most on-line customers are amateurs: professionals in other fields who tend their investments at night and on weekends.

On-Liners vs. Full-Servicers

Using computers to trade securities is not new. Broker-dealers and their institutional customers have done so since the 1960s.

One of the most sophisticated systems, Instinet, was launched in 1971, before the invention of the microcomputer. Instinet enables institutions to trade directly — but anonymously — with one another. In what is known as the locked-in trade, it prints out a confirmation slip at the terminals of both parties the moment a transaction is executed.

With the arrival of the microcomputer, brokers could offer similar technology to the individual investor. But full-service brokers have left the field to discounters, and for an understandable reason: If customers can get research on-line and write their own tickets to buy or sell on-line, no registered representative is needed. Bye-bye fat commissions. So long to the jobs of Wall Street salesmen.

Discount brokers already have taken a significant market share from the full-service firms. The Securities Industry Association estimates that discounters had 9% of commission revenues in 1983, up from 6.3% in 1982. As computerized transaction services gain momentum, discounters are likely to grab even more. On-line brokerage is this season's wave of the future. The convenience of on-line order entry, coupled with low commissions, will be recognized. Traditional firms are helping the trend by raising their commission rates.

The seven operating on-line brokers are listed in the accompanying table on page 3.

Some banks also plan to add brokerage to their home banking services. United States Trust Co., New York, has an on-line custody account for upscale customers, who can enter orders for execution either through an outside broker they select or through the bank's trading desk at low institutional

➡ **On-Line: Page 7**

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The On-Line Brokers

On-Line Brokerage: Seven Players Now, with More on the Way

Continued from Page 3

commission rates. And at least one discounter — Security Pacific Brokers Inc. — may add home banking to its on-line brokerage service.

500 On-Line Customers

The nation's first on-line discount operation has not expanded much beyond the three original machines. In the view of some brokers who followed his lead and started computerized order-entry, Max Ule's is just a message system.

A Quotron terminal, five telephones, and the three TRS-80s are the only equipment today in a trading room that measures about 20 feet by 10 feet. Mr. Ule occupies it with two assistants. They take orders by phone during the day, write the tickets by hand, and pass them through a window to the adjacent trading room of the Rosenkrantz firm for execution.

In addition to the Max Ule division of Rosenkrantz Ehrenkrantz, there is the firm of Max Ule & Co., which handles sales of Mr. Ule's software. The biggest product is Tickertec, a microcomputer program to monitor both New York and American stock exchange prices simultaneously in real time. He says about 100 systems are in use in 28 states.

But discount brokerage is done through the Max Ule division. His commissions are between 25% and 50% off the pre-May Day 1975 rates, with a minimum of $25. "I'm not the deepest discounter," he said. "I'm somewhere in the middle."

More than 500 Ule customers have direct order-entry accounts, enabling them to send overnight orders via Tickerscreen. About half a dozen are corporate pension accounts, the rest individuals.

Some 150 also subscribe to the CompuService Information Service. They can come into Tickerscreen that way if they prefer, paying connect charges but avoiding long-distance tolls. In such cases, CompuServe is what is known as a gateway. Since it can handle 150 calls at once, Mr. Ule's clients sometimes use it when the Tickerscreen direct line is busy or down.

For long-distance phone orders, Mr. Ule gives customers an Insprint number. Whether at home, office or traveling, they dial into Tickerscreen through a local number of the GTE Sprint discount phone service and the calls are billed to his account, as if they were collect. "It's less expensive than an 800 toll-free number, where you have no control," he says.

When they open shop in the morning, Mr. Ule and his assistants get a printout of the Tickerscreen overnight orders and pass along the order tickets for execution at the market opening. Rosenkrantz clears through L.F. Rothschild, Unterberg, Towbin. Customers get a Rothschild confirmation in the mail.

The Matter of Current Prices

This is not the fully automated on-line brokerage that futurists envision — only the first step in that direction. In systems that have gone further, the customer fills out his order ticket on-line, and the broker authenticates it on a monitor and then switches it through to the exchange floor.

Mr. Ule thinks a broker still serves a purpose as an intermediary. "We had an order the other day that had two stock symbols in the order line," he said. "We had to call up the customer. If you have a million-dollar order for a one-cent stock, you need to check."

He is ready to go on-line during the day if necessary. "We have the capability," he said. "It will depend on demand. If we have enough people that want it, I'll figure out a way to do it.

"There are some compliance problems. Also, how many people are going to want prices?"

Current prices for customers are mandatory, in Mr. Ule's view. "I don't see how anyone can offer a brokerage service based on 15-minute delayed quotes," he said.

"You can't offer them real time unless you are going to pay a lot for it. Our only charge is the commission. That's not true of the others. It's a steep fee. I've taken the brokerage approach: A broker gives free quotes to his clients. Based on that, he takes an order.

"We have some people who ask for a lot of quotes and never give us an order. I had one hardware store owner who did this for years. I finally told him, 'Can't you give me something? At least a monkey wrench at Christmas?' "

Next: TradePlus takes on-line brokerage few steps further

Maureen Murray

BIRTH OF ON-LINE BROKERAGE: Retail on-line brokerage got its start when Max Ule bought a Radio Shack TRS-80 with the idea it would good to use to figure stock commissions. It all grew from there.

Tardiff Named Senior VP At Washington Bank

WASHINGTON — James G. Tardiff, formerly vice president for commercial finance of the National Bank of Washington, has been promoted to senior vice president in charge of the bank's reorganized corporate banking division.

Mr. Tardiff will be responsible for directing all corporate banking activities in the District of Columbia, northern Virginia, and suburban Maryland as well as asset-based lending and corporate trust activities. In addition, he will supervise the new multinational banking department, which will specialize in trade finance. ■

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Statement of Condition
as of June 30, 1984

Assets	
Cash and Due from Banks	$5,246,190,000
Government and Other Securities	943,326,000
Deposits with and Loans to the Government	1,946,452,000
Loans	2,431,743,000
Other Accounts	125,929,000
Bank Premises and Equipment	19,042,000
Total Assets	$10,712,682,000
Liabilities	
Deposits	$8,363,993,000
Government and Other Deposits for Granting Loans	1,109,162,000
Debentures Issued by Subsidiaries	871,070,000
Other Accounts	70,740,000
Total Liabilities	10,414,965,000
Capital Accounts	
Capital Stock, Reserves and Surplus	120,844,000
Subordinated Convertible Capital Notes	7,818,000
Minority Interest	29,983,000
Capital Notes*	139,072,000
Total Capital Accounts	297,717,000
Total Liabilities and Capital Accounts	$10,712,682,000

*Including unsubordinated notes of $130 million

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This financial statement has been arithmetically translated from Israel Shekels into U.S. dollars at the exchange rate prevailing on June 30, 1984 I.S. 236.40=U.S. $1.00 for the convenience of the reader

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American Banker

The Daily Financial Services Newspaper

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TODAY

Thrifts

Like Jack scaling the beanstalk in search of the golden goose, thrifts have been on the upward climb from survival toward profit, only to be stymied by the ogre of interest rates. Today's feature section looks at how thrifts are faring as they shin up through the clouds of deregulation, starting on page..... 11

COMMENT: When the dollar finally drops, the consequences may not be what we expect 1

AMERICAN FIRST: Its parent has encountered troubles lately, but American Savings & Loan Association ranks first among thrift institutions in deposits 1

ON-LINE BROKERS: Security Pacific Brokers is the latest firm to let retail customers order securities from their microcomputers and the only one associated with a bank 1

CITIBANK BUY: Girod Trust Co. of San Juan, Puerto Rico, which failed last week, is the latest institution to be acquired by Citibank..... 2

INTERNATIONAL BRIEFING: Royal Bank of Canada's innovative auto loan program, introduced this summer, has successfully stimulated business and criticism..... 2

STATEWIDE SUIT? Statewide Bancorp. of Toms River, N.J., says it may sue to prevent a hostile takeover by Midlantic Banks Inc..... 2

FINANCIAL'S FATE: What happens to Financial Corporation of America may hinge on what what happens when billions in repurchase agreements come due 3

FORTUNE FEDERAL: Analysts and investors alike criticize this Florida holding company for its planned stock sale..... 3

GOING CO-OP: The Federal National Mortgage Association's creation of a secondary market for cooperative housing mortgages could lead to a nationwide surge in co-op development..... 3

COUNSELOR'S CORNER: Advice for banks and thrifts who may be concerned about the arrival of union organizers is offered by John McFall 4

The Monitor 38

THE BACK PAGE: Citicorp's Sioux Falls, S.D., credit card division wowed local arts enthusiasts by donating $32,000 to the South Dakota Symphony 48

Comment

When the Dollar Tumbles

By SANFORD ROSE

It is universally acknowledged that the strength of the dollar has played a powerful role in holding down U.S. inflation. One estimate is that the elevated value of the dollar has chopped at least 2 to 3 percentage points off our price advance. That is, if the dollar had not remained so overvalued, inflation would be running at around a 5%-to-6% clip instead of the 3%-4% rate we are currently enjoying.

But what factors account for the dollar's stellar performance? A major reason is that the business tax cuts of 1981 and the surging expansion of the last two years have greatly raised real aftertax investment returns in the U.S. So foreign investors, who cannot realize anything like these returns in their own markets, have developed an almost insatiable demand for dollar-denominated assets.

That demand could moderate if foreign economies begin growing more rapidly than the U.S. economy. Such a circumstance would tend to be accompanied by rising real interest rates overseas and would

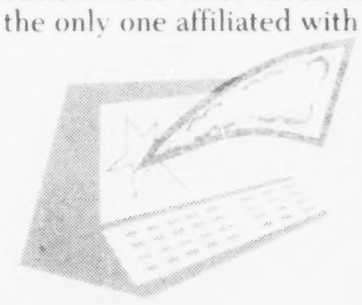
↦ Comment: Page 4

Security Pacific's On-Line Advantage

By DAVID O. TYSON

Last of a series

NEW YORK — Security Pacific Brokers Inc. is the latest firm to allow retail customers to enter securities orders from their own microcomputers, and it is the only one affiliated with a bank.



The On-Line Brokers

Its system, called On-Line Advantage, went into operation July 3 in a test in the California market, the most active in the nation. Two of the seven on-line brokerage firms are based in California. Two more there plan to enter the market. And one already has dropped out.

By combining low commissions with the speed and convenience of entering orders from microcomputers at home or office, the on-liners hope to capture more business from the traditional brokerage houses. Some of the big full-service firms offer prices, portfolio print-outs, and research via computers. But they resist giving customers the means to circumvent registered representatives and enter orders electronically.

↦ Security: Page 47

American No. 1 Thrift At Midyear

Home Savings Remains Second in June 30 Ratings

By MICHAEL CACACE

NEW YORK — The American Savings & Loan Association, Stockton, Calif., a subsidiary of the troubled Financial Corporation of America, Los Angeles, as of June 30 had retained its position as the top thrift institution in the nation, with deposits of $25.2 billion.

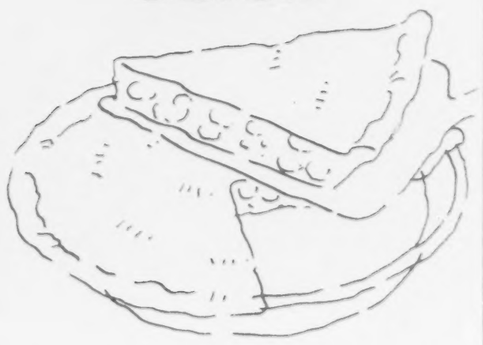
Home Savings of America, Los Angeles, remained in second place with $17.1 billion in deposits at midyear, up 10.2% from yearend. Home Savings, a subsidiary of H.F. Ahmanson & Co., had ranked as the nation's top savings and loan association for 28 consecutive years until American Savings surpassed it at yearend 1983.

These are some of the findings of the *American Banker's* annual midyear review of the nation's top 300 thrift institutions published today. Thrift institutions, as defined by the *American Banker*, include both mutual and stock savings and loan associations and mutual and stock savings banks.

On June 30, 1983, American Savings, then known as State Savings & Loan, had ranked fifth among all thrifts, with $8.5 billion in deposits. But in August 1983, First Charter Financial Corp., Beverly Hills, was acquired by Financial Corp. Then American Savings SF&LA, First Charter's subsidiary, was merged into State Savings, which changed its name to American Savings & Loan. The former American Savings had $6.9 billion at

↦ Thrift Survey: Page 37

TAKE A BIGGER SLICE



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